

STATE OF CALIFORNIA
CONSUMER POWER AND CONSERVATION
FINANCING AUTHORITY



TO: Board of Directors
California Power Authority

FROM: Jeanne Clinton, Deputy Director Conservation and Distributed Generation

DATE: June 21, 2002

SUBJECT: Status Report on Industrial Development Loan Program

Summary

The Industrial Development Bond Program, announced in March, received 12 first-round applications through May 21. The applications totaled \$69 million for the \$30 million loan fund available in 2002. These fell into the following categories:

Category 1 (energy improvements to general industrial manufacturing facilities)

Applications	3
Requested Loan Funds	\$ 24 million

Category 2 (manufacture of renewable and clean energy technologies)

Applications	9 (8 solar PV manufacturers; 1 wind turbines)
Requested Loan Funds	\$ 45.1 million

Most proposals lacked some or more significant information needed for final review. Requests for specific clarifications were sent June 14 with requested June 21 responses. Staff anticipates continued review and due diligence from supplemental information, and has a goal of presenting final recommendations to the Board for possible action at the July 19 meeting.

Review Process

Loan applications were reviewed for basic program eligibility, and those passing this screen proceeded for financial and technical assessment. Reviews were performed by CPA staff and invited technical reviewers from the California Energy Commission. Some applications were eliminated at the screening stage. Those remaining required further clarification or elaboration upon their loan applications and supporting materials. Where there were IRS eligibility issues for IDB activities or the CPA's energy program requirements, these were reviewed with tax counsel (from Sidley, Austin, Wood, and Brown). The current status of application review is:

-
- Two disqualified as not eligible manufacturers or not meeting energy investment requirements. (2 Category 1 proposals requesting \$14 million.)
- Four applications appear favorable, but need greater clarification. (4 solar proposals accounting for \$23.5 million in requested loans.) Clarification requests sent 6/14 and responses due 6/21.
- Six applications had significant application deficiencies, but all were offered a chance to elaborate on their loan merits. (4 solar, 1 wind, and 1 general manufacturing facilities, accounting for \$31.6 million in requested loans.) Clarification requests sent 6/14 and responses due 6/21.

Schedule for Next Steps

<u>Date</u>	<u>Activity</u>
6/21	Clarification materials due
6/24- 28	Second round assessments and due diligence on 10 applications
7/1-2	Compile scores, findings, recommendations
7/2 or 3	Staff recommendations & discussion with CPA CEO
7/8	Notify Applicants of recommendations to be made to Board
7/8-11	Prepare Board memo and loan summaries, draft inducement resolutions
7/12	Distribute Board Memo IDB award recommendations and proposed loan descriptions to Board members <u>one week in advance</u> of July 19 meeting
August onward	Issue bonds for selected applicants

If there are funds remaining from the \$30 million program allocation on July 19, staff will propose opening a second round of applications immediately, with responses due by late August. This speedy schedule would be necessary to ensure Board action and bond issuance by November, as required by the California Debt Limit Allocation Committee conditions on the energy IDB program.